Micro-Economic Monitor

With the special report:

Rural Canada in the Knowledge-Based Economy

Fourth Quarter, 2000

Micro-Economic Analysis Directorate, Industry & Science Policy Sector, Industry Canada.
This document is also available on the Internet at http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/04.html

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Overview

The economy slows late in 2000...

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Output growth slowed to 2.6% (annual rate) in the fourth quarter of 2000, with the effects of the U.S. economic slowdown spilling over into Canada. The economy nonetheless expanded a solid 4.7% overall in 2000.

- **Domestic demand was flat in the fourth quarter, pausing abruptly after strong gains over the past two years. Business investment in M&E fell sharply, while consumer spending slowed from its recent strong pace of growth.**

- **Slow U.S. demand also weakened export growth, but imports also fell in the fourth quarter. Surging prices for energy exports pushed the trade surplus to a record high in 2000, and Canada recorded its largest-ever current account surplus.**

- **The slowdown has been most evident in Manufacturing, with production cutbacks in the auto sector affecting a number of related industries. Makers of telecommunications equipment have also been hit by lower demand.**

...and weakens further early in the new year

Recent indicators point to continued sluggish growth. Labour market conditions cooled considerably early in the new year, with employment holding steady in January before falling in February. Still, Canada's fundamentals remain solid, leaving the economy in a strong position to ride out a short-term downturn in the U.S. Recent strong income gains, lower interest rates and federal tax cuts should all help boost future demand.

Although our country has become increasingly urbanized over time, a significant number of Canadians still live in rural areas. This issue's special report assesses how well rural Canada is positioned to benefit from opportunities in the knowledge-based economy.

Domestic Scene

Real Economic Activity

Output growth slows in the fourth quarter...

Real GDP rose 2.6% (annual rate) in the fourth quarter of 2000, slowing significantly from the recent strong pace of growth.

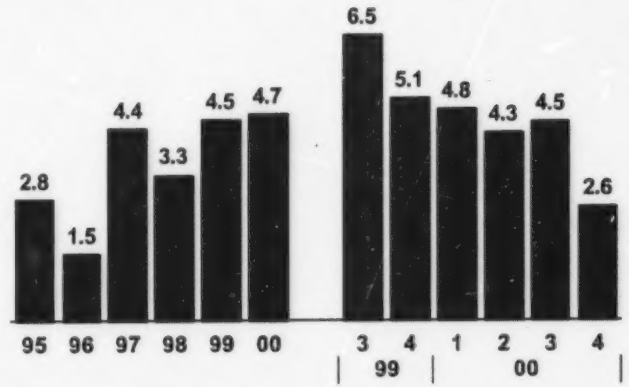
- **Net exports rose, but business investment fell sharply on the quarter and growth in consumer spending slowed.**

Growth for 2000 overall was 4.7%, up slightly from 1999.

- **More modest growth is expected for 2001, with private sector forecasts ranging from 1.6% to 3.2%.**

Real GDP Growth

% Change, SAAR



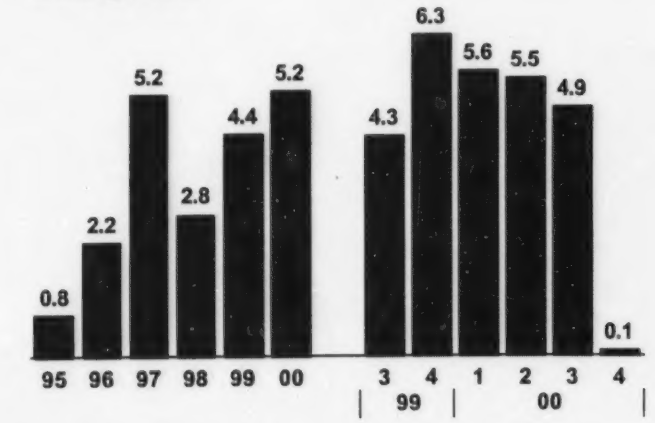
Source: Statistics Canada

...as domestic demand stalls

Final domestic demand was flat in the fourth quarter, ending seven straight quarters of growth above 4%.

- **Lower investment in M&E and housing was offset by increased consumer spending and non-residential construction.**

Final Domestic Demand



Source: Statistics Canada

Investment in M&E falls sharply....

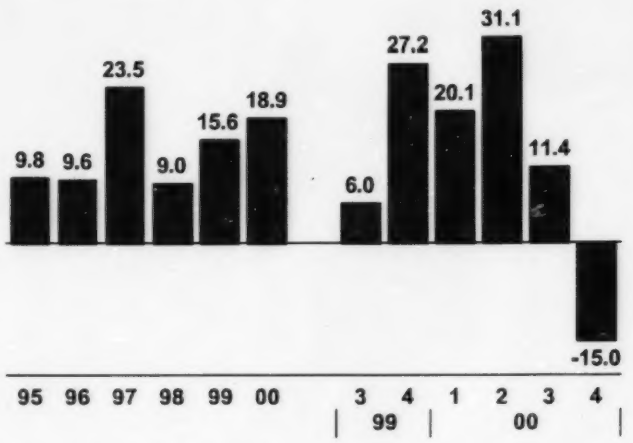
Business investment in M&E dropped 15.0% (annual rate) in the fourth quarter.

- **Declines were recorded in most major categories of machinery and equipment, including the first drop in spending on computers and other office equipment since 1997.**

Even with this decline, M&E investment was up roughly 19% overall in 2000.

Real Machinery & Equipment Investment

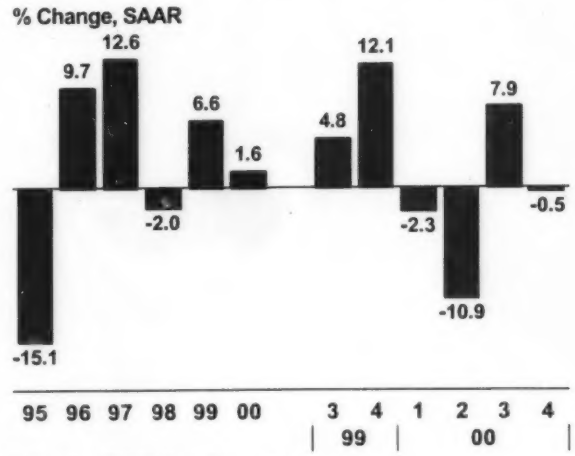
% Change, SAAR



Source: Statistics Canada

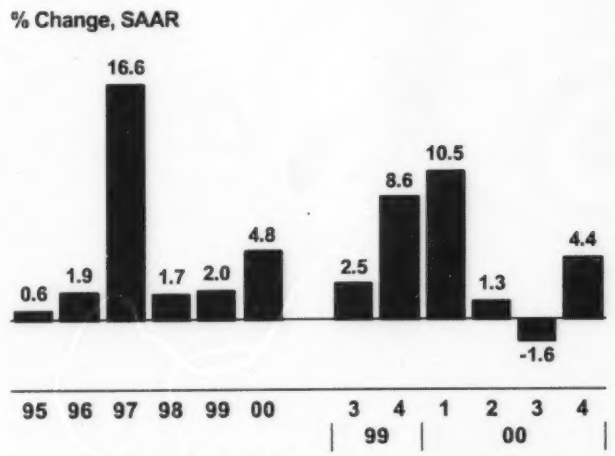
...residential construction activity weakens...

Real Residential Construction Growth



Source: Statistics Canada

Real Non-residential Construction Growth



Source: Statistics Canada

Residential Construction edged down in the fourth quarter, largely due to a drop in new housing construction. For the year as a whole, housing investment was up 1.6%.

Non-Residential Construction rebounded in the fourth quarter, with gains concentrated in the engineering component. Improved weather conditions boosted drilling and rigging activity in the oil patch, while non-residential building construction rose for the first time in three quarters.

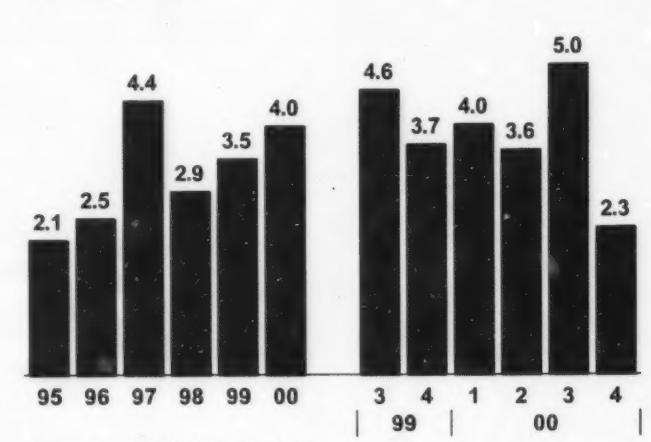
...consumer spending slows...

Consumer spending rose an annualized 2.3% in the fourth quarter, down from average growth of 4.3% since the beginning of 1999.

- **The slowdown was caused mainly by a drop in motor vehicle purchases, which had been boosted in the third quarter by dealer incentives.**

- **Excluding motor vehicles, consumer spending rose a solid 4.2% on the quarter.**

Real Consumer Expenditure Growth



Source: Statistics Canada

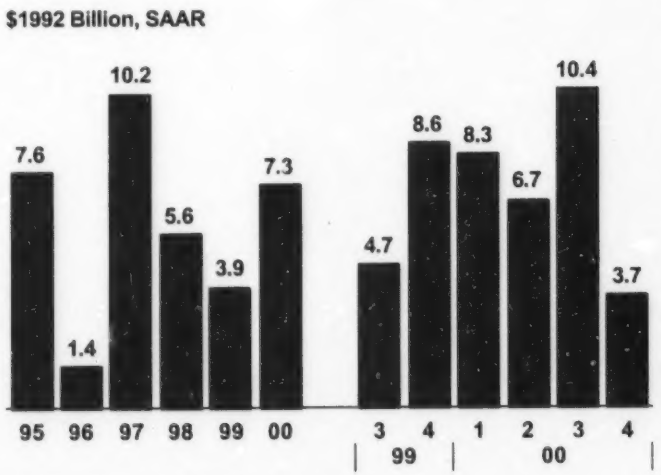
...and inventory accumulation eases

Business investment in non-farm inventories totalled $3.7 billion in the fourth quarter, down from $10.4 billion from the previous period.

- **Retailers drew down stocks, but manufacturers' inventories continued to rise at a strong pace.**

Production appears to have adjusted relatively quickly to softer demand. Still, the potential for a drawdown in inventories remains, particularly for the Manufacturing sector.

Non-farm Business Inventory Investment



Source: Statistics Canada

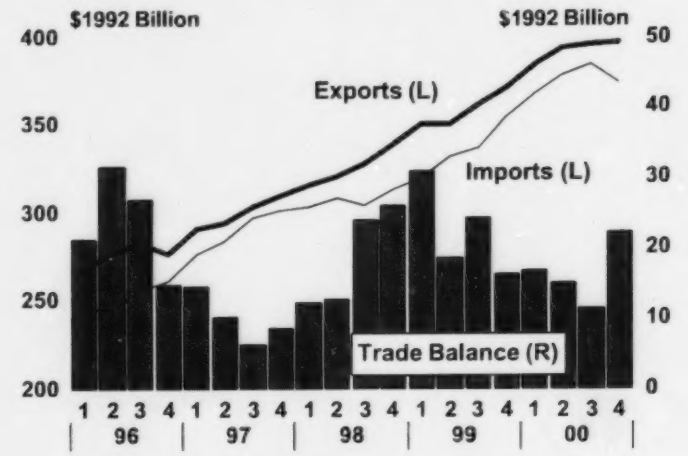
Export growth slows with weakening U.S. demand

Weaker U.S. demand slowed growth in real exports to 1.0% (annual rate) in the fourth quarter.

- **Auto exports declined for the third consecutive quarter, and exports of Forestry Products and Industrial Goods & Materials also fell. Exports of M&E and Energy Products were up on the quarter.**

Lower investment in M&E and production cutbacks in the auto sector led to a steep decline in imports (-9.8%). This provided a sharp boost to Canada's real trade surplus.

Real Exports and Imports of Goods & Services



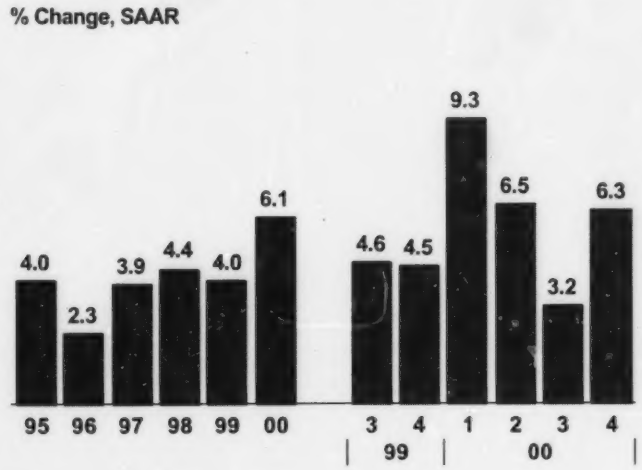
Source: Statistics Canada

Domestic Scene

Income

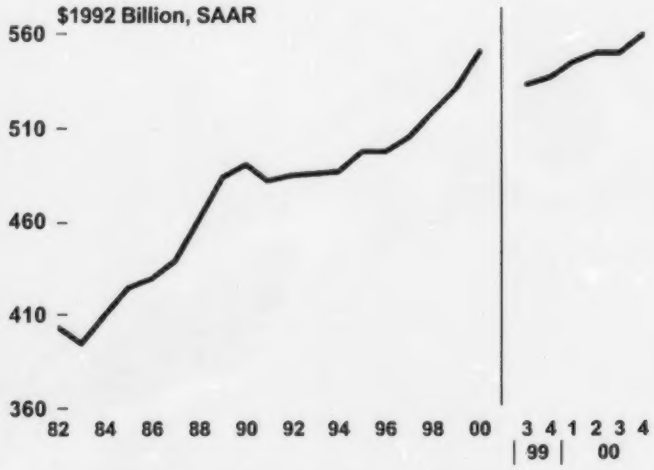
Income growth picks up...

Growth in Personal Income



Source: Statistics Canada

Real Personal Disposable Income*



*Converted to real dollars using the chain price index for personal expenditure on goods and services.
Source: Statistics Canada and Industry Canada

Growth in personal income advanced at an annual rate of 6.3% in the fourth quarter. Employment growth fuelled solid gains in labour income, and interest payments associated with the federal pay equity settlement boosted investment income. Government transfers rose due to a tax rebate in Ontario and energy rebate in Alberta.

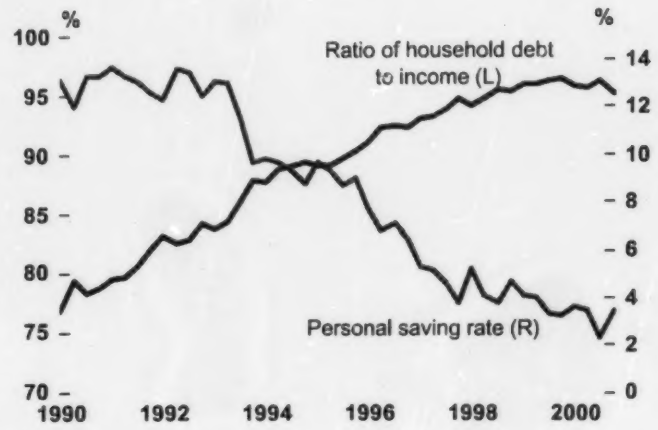
Overall in 2000, incomes were up 6.1%, the biggest increase in ten years. Real personal disposable income rose 3.6%, marking four straight years of solid gains.

...boosting household finances

Strong income growth improved household finances in the fourth quarter.

The personal saving rate edged up to 3.5% in the fourth quarter. The household debt-to-income ratio fell to 95.1%, down from a near-record 96.2% in the previous quarter.

Personal Debt and Savings Rate



Source: Statistics Canada

Corporate profits rise at a slower pace

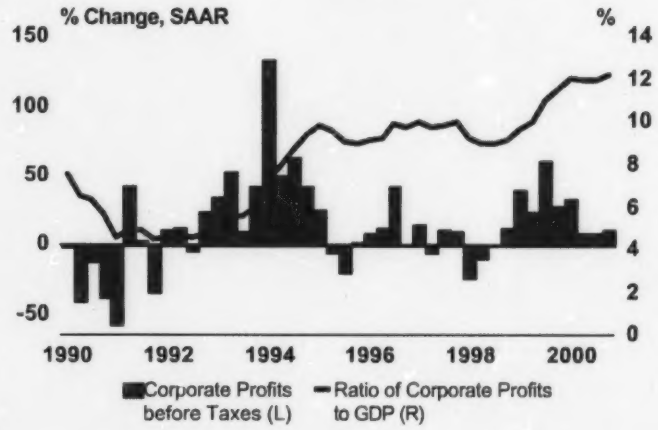
Corporate profits increased 10.4% (annual rate) in the fourth quarter of 2000.

- **This raised the level of profits to 12.2% of GDP, the highest in 20 years.**

Overall in 2000, corporate profits were up 23% in 2000, in line with the increase in 1999.

- **However, profit gains slowed markedly after the first quarter of the year.**

Corporate Profits



Source: Statistics Canada

Domestic Scene

Price Movements

Inflation is higher in 2000...

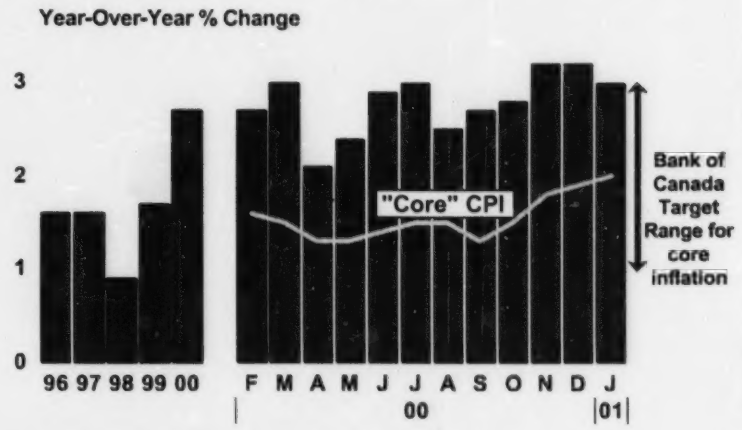
After averaging 2.7% in 2000, consumer price inflation reached 3.0% in January.

The 2.7% annual inflation rate for 2000 was the highest since the early 1990s.

- **Higher energy prices accounted for almost half of the year-over-year increase in the general price level during 2000.**

- **"Core" inflation – excluding the volatile food and energy components as well as the impact of indirect taxes – has risen steadily since September, hitting 2.0% in January. This is the mid-point of the official 1-3% target range.**

Consumer Price Index



Source: Statistics Canada & Bank of Canada

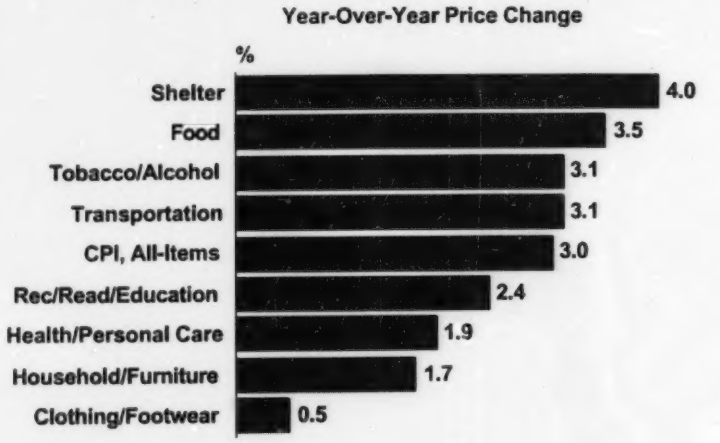
...driven up by surging energy prices

The Energy component of the CPI rose 16.2% in 2000, the biggest increase in almost two decades.

Higher prices for natural gas and fuel oil have been a major factor behind rising shelter costs, but increased mortgage interest costs also contributed.

Higher gasoline prices have resulted in higher transportation costs. However, motor vehicle prices were down in January, as dealers offered rebates to reduce inventories.

Components of CPI: January 2001



Source: Statistics Canada

Rising crude oil and natural gas prices also raise producer prices

Prices for raw materials rose nearly 23% in 2000, the largest increase on record.

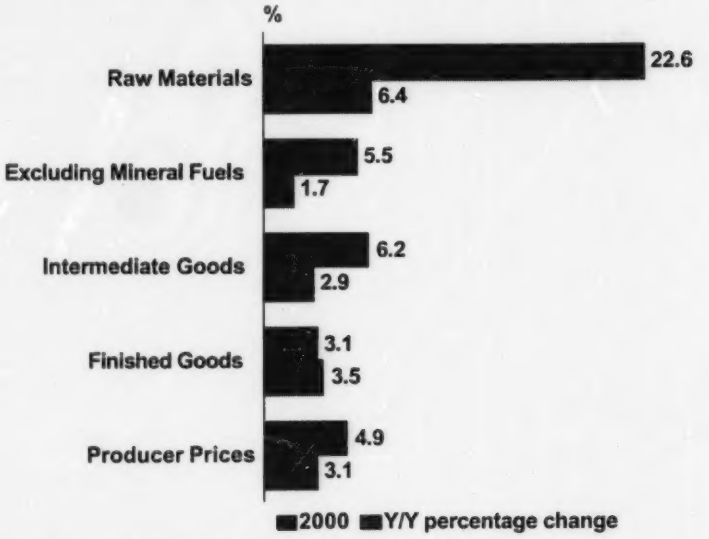
- **Surging prices for mineral fuels accounted for more than three-quarters of this increase.**

Meanwhile, industrial product prices – those received by producers at the factory gate – were up 4.9% on the year. This increase, the largest since 1995, was also due mainly to higher energy prices.

- **Petroleum and coal product prices surged 45% in 2000.**

- **Strong demand raised pulp prices 27% in 2000, although they remain below the record 1995 level. In contrast, softwood lumber prices dropped 16% from 1999, with housing starts falling in the US.**

Price Chain - January 2001



Source: Statistics Canada

Domestic Scene

Labour Markets

Job growth weakens early in 2001...

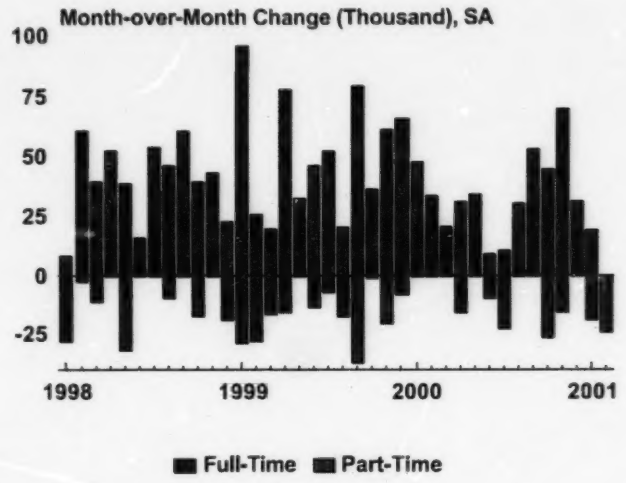
Employment rose 325,000 overall in 2000, building on a net gain of 425,000 jobs in the previous year.

- **Eight of ten new jobs in 2000 were full-time positions.**
- **Self-employment fell by 144,000, following strong growth throughout the 1990's.**

Labour market conditions have softened early in 2001, particularly in Manufacturing.

- **Employment was flat in January, and fell 24,000 in February.**

Employment Growth



Source: Statistics Canada

...as employment in the private sector falls...

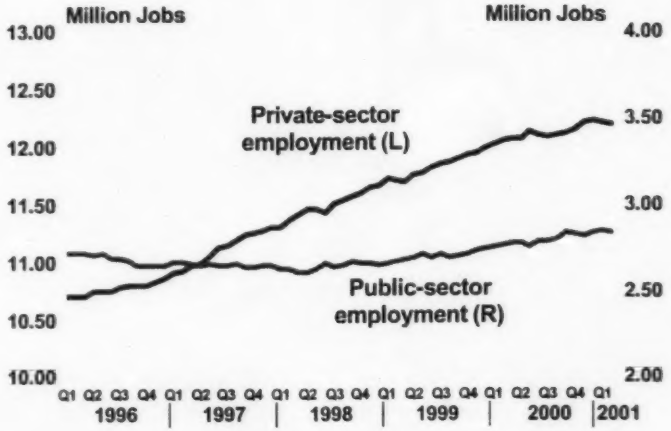
Private-sector employment increased by 236,000 in 2000, up 2.0% from 1999.

- **Employment in the public sector rose at a faster pace (+3.3%), accounting for 89,000 jobs or one-quarter of the total increase on the year.**

Reflecting the recent slowing of the economy, private-sector employment has fallen by 26,000 in the first two months of 2001.

- **Employment in the public sector has held firm so far this year.**

Employment: Private vs. Public



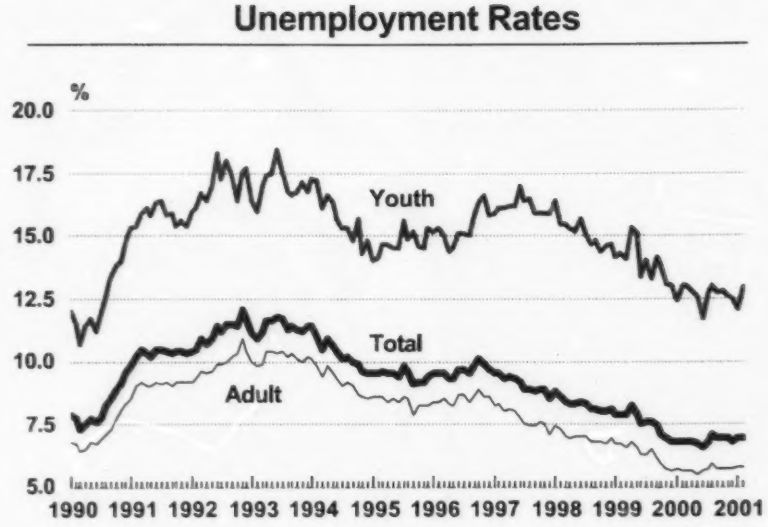
Source: Statistics Canada

...but Canada's unemployment rate holds steady

Canada's unemployment rate was unchanged at 6.9% in February, as both the labour force and employment fell.

- **The adult unemployment rate was 5.8% in February, while the youth rate climbed 0.8 percentage points to 12.9%.**

Job growth was strong late in 2000, but the labour force also expanded at a quick pace. The unemployment rate has therefore edged up from a 24-year low of 6.6% in June.



Source: Statistics Canada

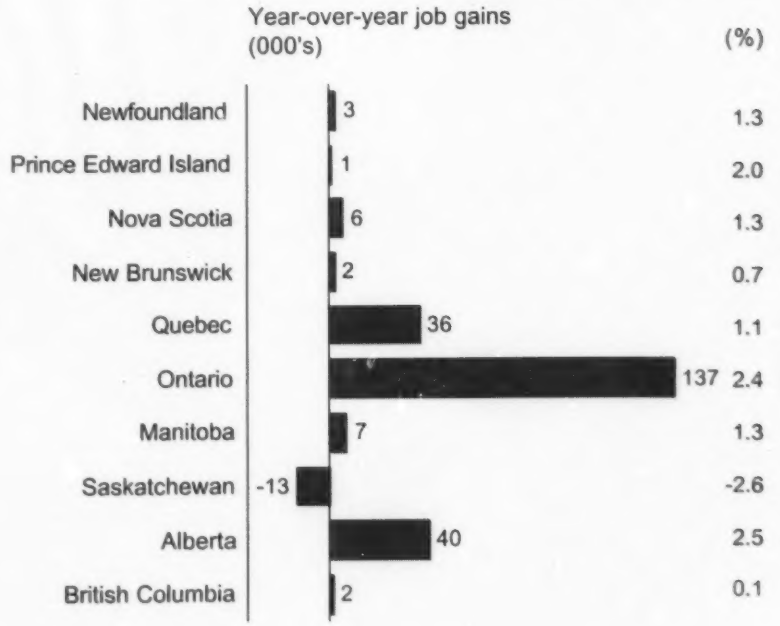
Most provinces show solid job gains compared to a year ago...

Job gains last year were led by Ontario, both in absolute numbers and percentage terms.

- **Saskatchewan and Newfoundland were the only provinces recording lower employment on the year.**

The weakness in national employment figures so far in 2001 are most evident in Ontario, due to job losses in Manufacturing and Trade, as well as British Columbia and New Brunswick.

Employment Growth by Province (February 2000 to February 2001)



Source: Statistics Canada

...with unemployment rates in Manitoba and Alberta at 20-year lows

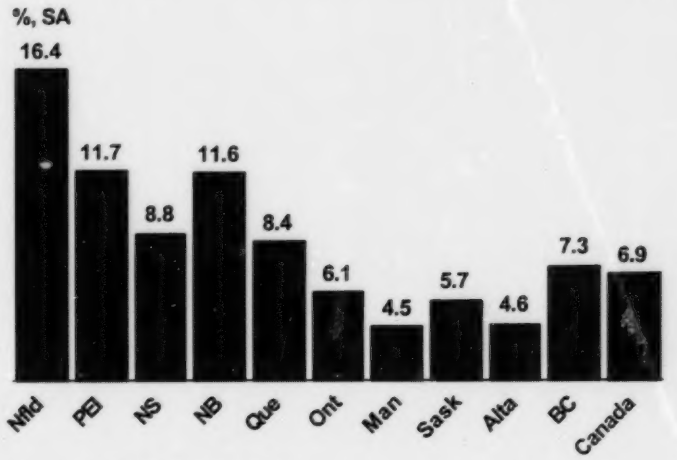
Unemployment rates in Manitoba (4.5%) and Alberta (4.6%) are at their lowest points since 1976 and 1981 respectively.

Newfoundland's unemployment rate is the highest among all the provinces. However, its rate registered the sharpest drop on a year-over-year basis, falling 1.3 percentage points to 16.4%.

The unemployment rate is down 0.9 points in Nova Scotia compared to last February, while Manitoba's rate has fallen 0.8 points.

For most other provinces, higher employment has been accompanied by increased labour force participation in the last twelve months.

Unemployment Rates: February 2001



Source: Statistics Canada

Domestic Scene

Financial Markets

The Bank of Canada lowers rates in January and March...

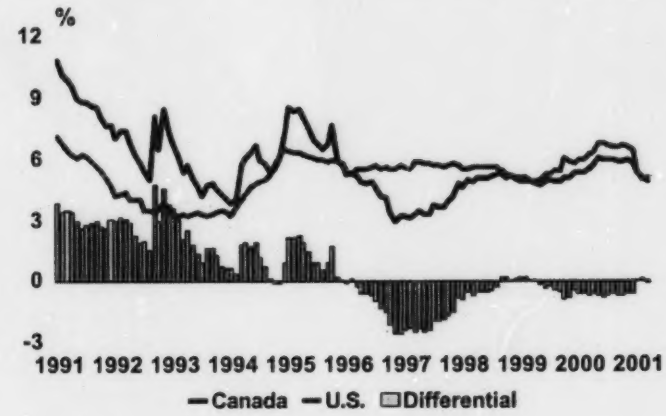
Concern over the impact of the U.S. slowdown down on the domestic economy prompted the Bank of Canada to lower its trend-setting Bank Rate by 25 basis points on January 23, and a further 50 points on March 6.

As the U.S Federal Reserve has cut interest rates somewhat more aggressively, the gap between Canada and U.S. short rates has narrowed in recent months.

- **As of March 7, Canadian short rates were only 14 basis points below U.S. rates. This gap was as high as 75 points last October.**

The Bank of Canada has adopted a system of eight fixed dates for announcing any changes to its official interest rate. Prior to this, the Bank could announce changes on any business day, an option it still reserves for extraordinary circumstances.

Short-Term Interest Rates



Last data point plotted: March 7, 2001

Source: Bank of Canada, 90-day Commercial Paper, last Wednesday in the month

...while long rates hold steady

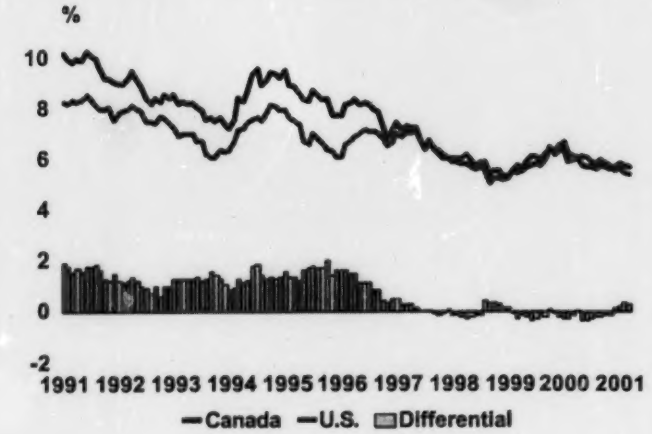
After edging up in January, Canadian bond yields drifted lower in February and early March. The long-term bond rate was 5.61% on March 7, down 11 basis points from the January close.

The decline in long rates has been more pronounced in the U.S., as the slowing economy has reduced fears of rising inflation.

- **Global stock market turmoil has also prompted investors to switch to the relative safety of bonds, hastening the decline in long-term rates.**

The Canadian-U.S. long rate spread has been reversed in the past few months. On March 7, Canadian long-term rates were 29 basis points above comparable U.S. yields. Canadian rates had been <u>below</u> U.S. rates for much of 1999 and 2000.

Long-Term Interest Rates



Last data point plotted: March 7, 2001

Source: Bank of Canada, Government long-term bond, last Wednesday in the month

Stock prices fall sharply from recent highs...

After reaching record highs last fall, North American share prices have since fallen sharply.

- **Profit warnings in the high-tech sector and concern over the sudden and deeper-than-expected U.S. slowdown have contributed to falling share prices.**

As of March 9, the TSE 300 had dropped 28% from its record high close of 11,328 in early September.

Stock Market Indices

Last data point plotted: March 9, 2001

Source: Statistics Canada

...and the Canadian dollar is affected by a global flight to U.S. dollar-denominated assets

The Canadian currency gained strength early in the new year, fuelled by indications that the Canadian economy was performing better than its U.S. counterpart. This would imply the need for more aggressive interest rate cuts in the United States, which provided some support to the dollar.

More recently, however, growing concern over worsening global economic conditions and stock market sell-offs have prompted a flight to "safe haven" U.S. dollar assets.

This has raised the value of the U.S dollar against major international currencies, including the Canadian dollar, which dropped below US¢65 in early March.

Canada-U.S. Exchange Rate

Last data point plotted: March 9, 2001

Source: Bank of Canada

Domestic Scene

Fiscal Track

Federal finances are on track for a fourth straight surplus

The government recorded its third straight surplus in 1999-2000 ($12.3 billion). The last time the budget was in surplus for three consecutive years was 1951-52.

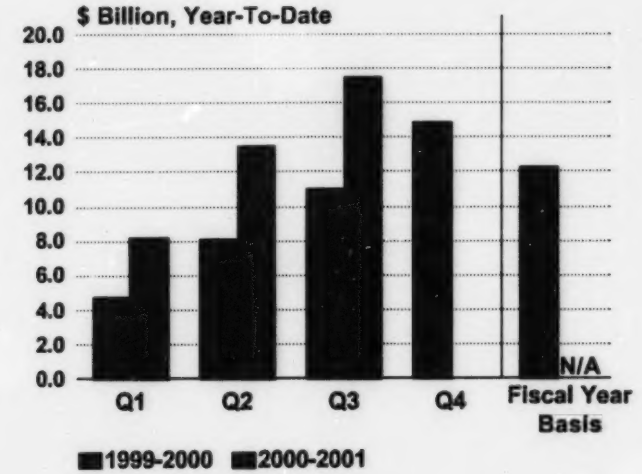
- **This brought the net debt-to-GDP ratio down to 58.9%, after peaking at 71.2% in 1995-96.**

For the first ten months of fiscal year 2000-01, the federal government has posted a surplus of $16.4 billion, compared to $11.8 billion last year.

- **This surplus should decline in the last 2 months of this fiscal year, as the impact of tax cuts and other policy measures take hold. The federal government is committed to pay down at least $10 billion in debt this year.**

Along with the federal government, nine provinces are expected to post balanced budgets or surpluses in the 2000-2001 fiscal year.

Federal Budgetary Balance



Source: Department of Finance

Domestic Scene

Competitiveness

Special factors boost unit labour costs in 2000...

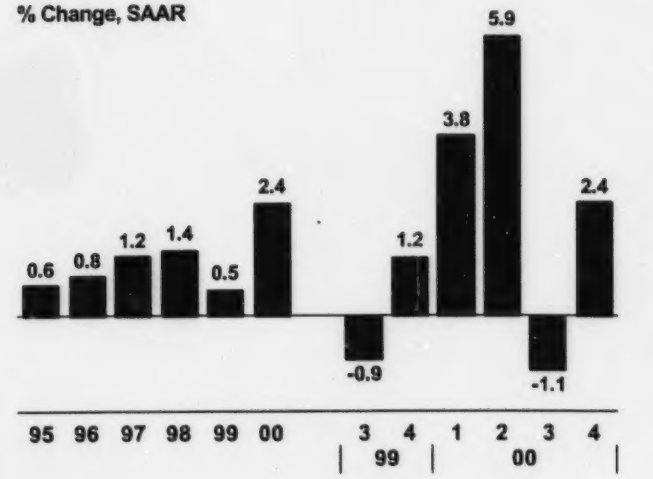
Unit labour costs increased 2.4% (annual rate) in the fourth quarter of 2000.

- **The total wage bill increased 5.0%, nearly double the growth in output (2.6%).**

Overall in 2000, unit labour costs rose 2.4%, the largest increase since 1991.

- **The federal pay equity settlement and other special factors contributed to increased wage pressures during the year.**

Growth in Unit Labour Costs



Source: Industry Canada calculations

...and Canada's competitive position slips slightly

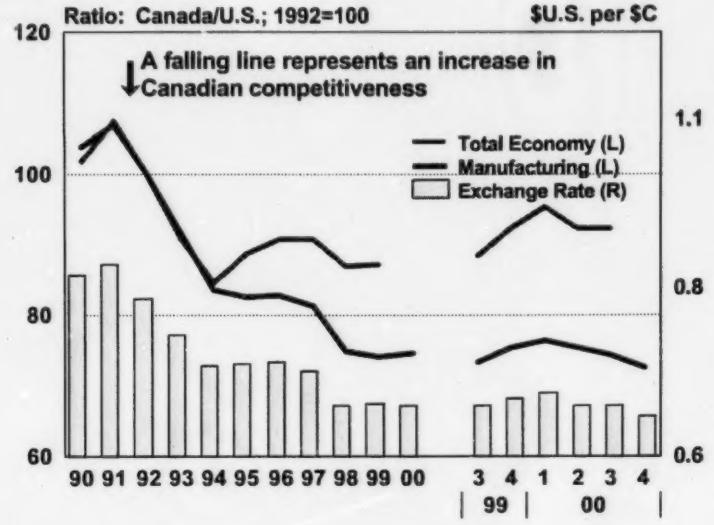
The competitive position of Canadian firms relative to U.S. firms improved in the fourth quarter of 2000.

- **At the economy-wide level, and on a common currency basis, Canadian unit labour costs were down 2.6% relative to those in the U.S. This relative decline was aided by a drop in the value of the Canadian dollar.**

Despite the fourth quarter improvement, Canada's competitiveness slipped somewhat in 2000.

- **Canadian unit labour costs rose 0.8% relative to U.S. costs in 2000.**

Unit Labour Cost Comparison ($US)



Note: Quarterly manufacturing ULC for 2000Q4 are not yet available.
Source: Industry Canada estimates based on data from the U.S. Bureau of Labor Statistics & Statistics Canada

Domestic Scene

International Accounts

The current account surplus reaches an all time high...

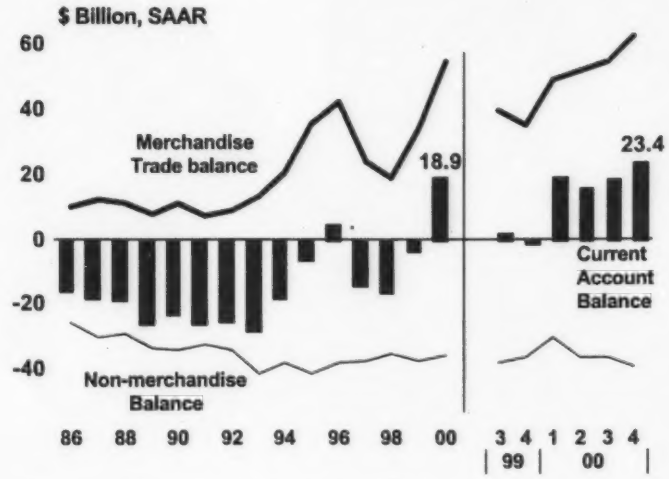
Canada's current account surplus rose to an annualized $23.4 billion in the fourth quarter of 2000.

- **The surplus for 2000 as a whole was $18.9 billion, four times higher than the previous high set in 1996.**

On the capital and financial account, foreign direct investment in Canada rose sharply in 2000, more than doubling the previous high. Acquisitions of existing companies in Canada was a major factor behind this investment surge.

Canadian direct investment abroad also reached a new all-time high in 2000.

Current Account & Trade Balances



The merchandise trade balance represents net exports of goods.
The non-merchandise trade balance represents net exports of services plus net receipts of investment income and transfers.

Source: Statistics Canada

...boosted by a record surplus on trade in goods

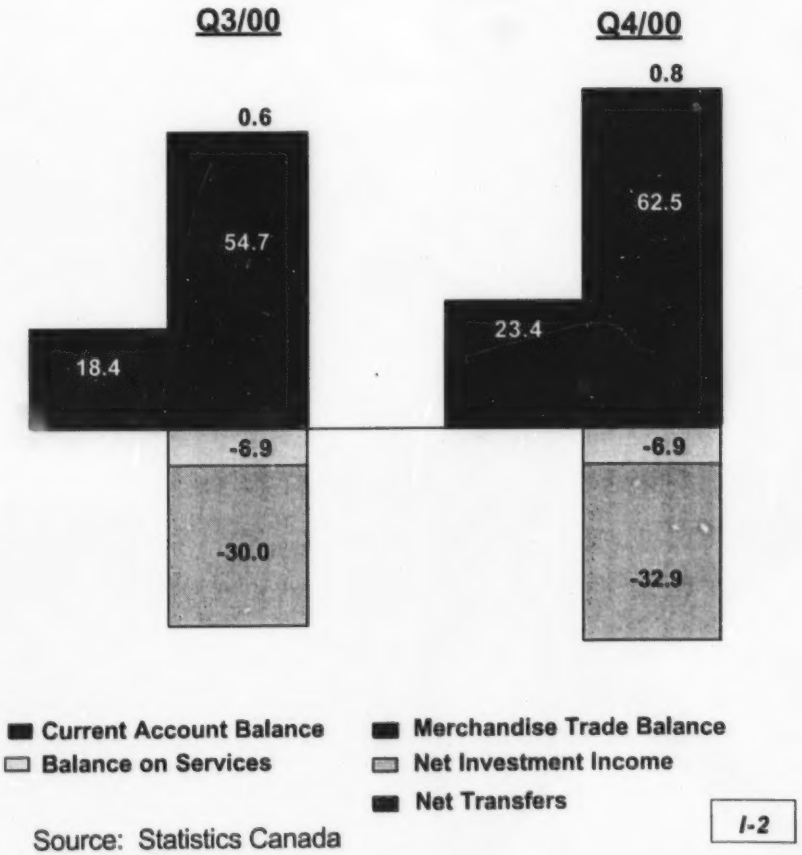
The merchandise trade surplus increased to $62.5 billion (annual rate) in the fourth quarter.

- **The surplus averaged $54.5 billion in 2000, more than $10 billion above the previous high.**

Compared to the sharp rise in the goods surplus, most other major components of the current account were little changed, both for the quarter and the year.

Main Components of the Current Account

$ Billion, SAAR



Source: Statistics Canada

I-2

Increased exports of energy products and high-tech equipment...

Merchandise exports totalled $417.7 billion in 2000, up nearly 16% from 1999.

- **A sharp rise in the value of exports of energy products led growth, benefiting from surging prices for crude oil and natural gas. Exports of M&E were boosted by higher sales of telecommunications equipment.**

- **Exports of Automotive Products were little changed on the year.**

Although increased sales to the U.S. were the main factor behind Canada's record trade performance, sales to most other major markets also picked up.

Merchandise Exports, 2000

	$ Billion	% Change, 1999-2000
Total	417.7	15.8
By Trade Partner		
U.S.	359.6	16.2
Japan	9.9	7.6
E.U.	21.0	15.2
All Others	27.1	14.0
By Principal Commodity		
Agricultural & Fishing Products	27.6	7.9
Energy Products	52.5	76.8
Forestry Products	41.4	5.8
Industrial Goods & Materials	64.6	12.5
Machinery & Equipment	105.6	22.8
Automotive Products	96.3	0.8
Other Consumer Goods	14.7	8.9

Source: Statistics Canada

...raise Canada's trade surplus with the U.S.

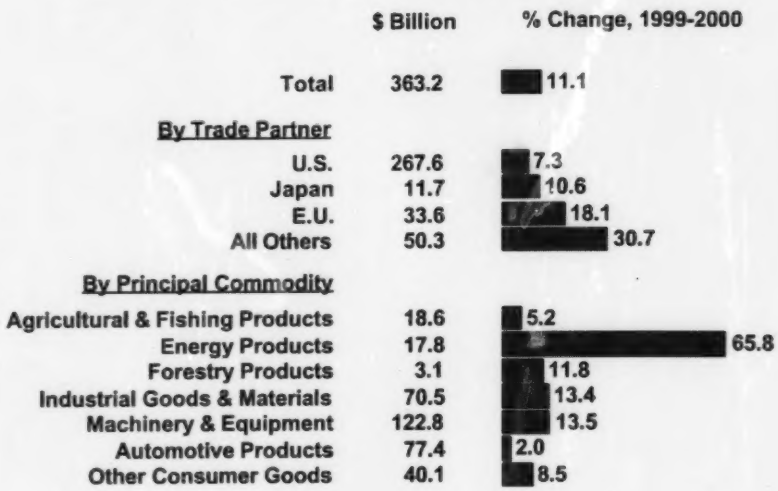
Merchandise imports were up 11.1% in 2000. Higher prices resulted in a sharp jump in the value of Energy Products imports, while other major import groupings posted smaller increases.

With export growth outpacing imports, Canada's merchandise trade surplus reached a record $54.5 billion in 2000.

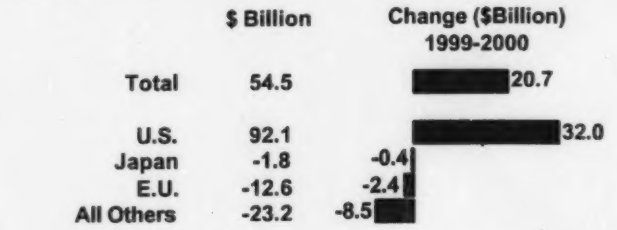
- **A higher surplus on trade in Energy Products accounted for almost two-thirds of the increase in Canada's trade surplus. Much of this improvement was due to sharply-higher prices for crude oil and natural gas.**

- **By region, Canada's surplus with the U.S. more than accounted for the total increase, as deficits with most other major trading partners widened in 2000.**

Merchandise Imports, 2000



Balance by Trade Partner, 2000



Source: Statistics Canada

Domestic Scene

Sectoral Overview

Activity in Goods-producing industries is flat in the fourth quarter...

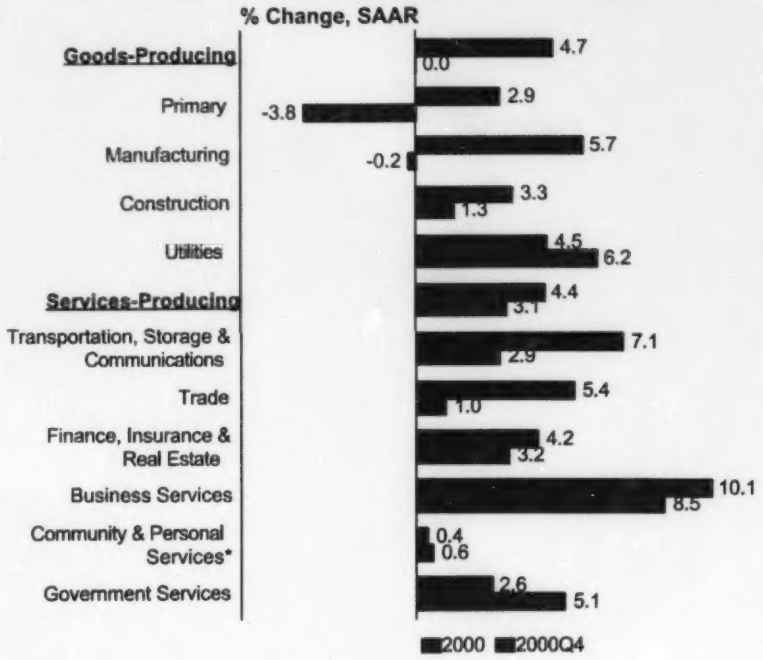
Much of the economy's fourth quarter slowdown can be traced to the Goods-Producing industries, where output was flat in the fourth quarter.

Lower production in the automotive and telecommunication equipment industries offset gains elsewhere in Manufacturing. Weakness in the Logging & Forestry industry held back activity in the Primary sector.

Output in Services industries increased 3.1% in the fourth quarter, led by advances in Business Services and Government Services. Growth slowed sharply for Transportation, Storage & Communications and Trade (Wholesale and Retail).

For 2000 as a whole, output in Goods-Producing industries rose 4.7%, while activity in Services-Producing industries increased 4.4%.

Real GDP Growth by Industry: 2000Q4



Source: Statistics Canada

*Education and Health & Social Services

J-1

...as Services drive overall employment gains

Job growth was dominated by Services-producing industries in 2000, with an overall increase of 294,000 jobs.

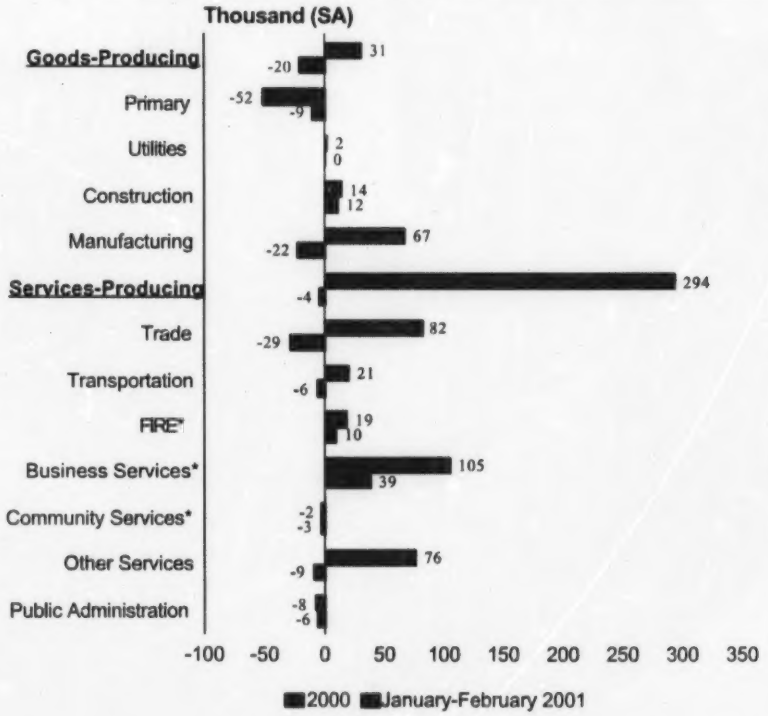
- **Gains were widespread, with the strongest advances posted by Business Services and Trade. Employment in Retail & Wholesale Trade benefited from robust Manufacturing activity, but these sectors have weakened in recent months.**

Employment in Goods-producing industries was up 31,000 in 2000.

- **Gains were concentrated in the Manufacturing and Construction sectors, although employment has recently fallen back in Manufacturing.**

- **Losses in the Primary sector – mainly agriculture – partly offset these gains.**

Job Growth by Industry



Source: Statistics Canada

*FIRE: Finance, Insurance, Real Estate and Leasing
Business Services: Management, Administrative, Professional, Scientific & Technical Services
Community Services: Educational Services, Health & Social Assistance.

Wage settlements remain below inflation...

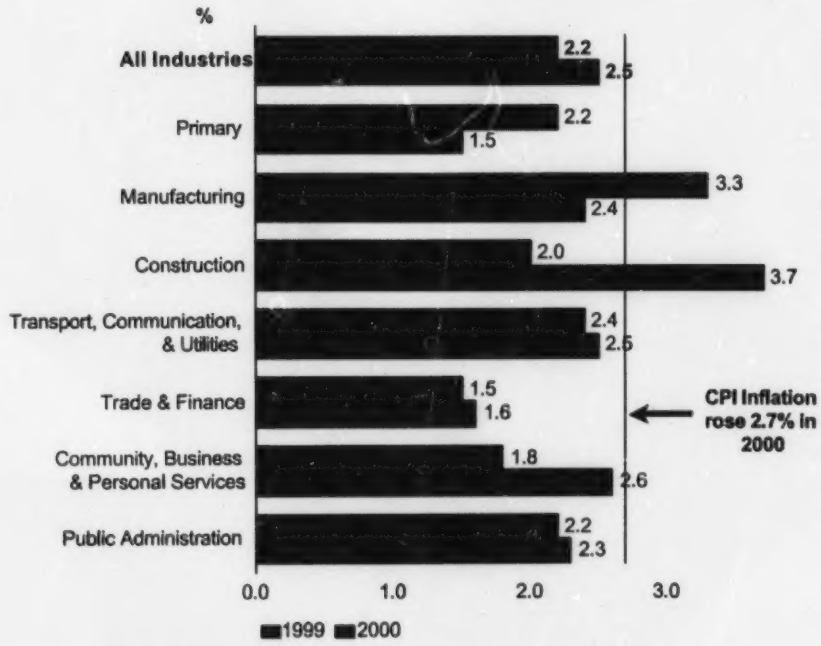
Wage settlements averaged 2.5% in 2000, slightly above the pace set in 1999.

- **With an average increase of 3.7%, construction was the only industry where settlements ran above inflation.**

- **Wage settlements in the Primary and Manufacturing industries were down from the previous year.**

Public-sector wage settlements (+2.5%), stood just above those in the private sector (+2.3%) in 2000, reversing the trend that prevailed throughout the 1990's.

Wage Settlements by Industry



Effective average annual adjustments in base wage rates from major collective bargaining agreements.

Source: Human Resources Development Canada

Industrial capacity utilization edges down...

Industries operated at 85.4% of capacity in the fourth quarter, down 0.2 percentage points from the third quarter.

- **Output growth slowed in the fourth quarter, falling behind growth in capacity.**
- **Nearly two-thirds of all industry groups posted declines on the quarter. Weak U.S. demand contributed to lower capacity use in Manufacturing, particularly in the durable goods sector.**
- **Outside of Manufacturing, capacity use in Logging & Forestry was down due to the reduced demand for wood products.**
- **Mining benefited from increased drilling activity, while the output of electric power generators rose due to higher demand at home and in the U.S.**

In 2000, the rate of capacity utilization stood at 85.5%, the highest level since 1988.

Capacity Utilization: Non-farm Goods-producing Industries

	Level (%) 2000	2000/1999 Change	Level (%) 2000Q4	00Q4/00Q3 Change	10-year Average
Total Non-Farm Goods-Producing	85.5	2.0	85.4	-0.2	81.8
Logging & Forestry	86.1	1.6	78.3	-10.5	80.9
Mining & Quarrying	91.1	11.6	92.3	2.0	84.5
Crude Petroleum & Natural Gas	69.3	0.5	68.7	0.1	78.2
Manufacturing	85.8	1.3	85.7	-0.4	81.7
Durable Goods Manufacturing	88.0	2.0	87.1	-1.4	81.3
Wood	85.1	-2.2	84.7	2.4	84.8
Primary Metals	90.4	-0.2	87.6	-1.6	88.6
Fabricated Metals	84.0	1.0	81.6	-1.7	77.7
Transportation Equipment	89.2	-0.7	87.6	-2.2	82.5
Electrical & Electronic Products	96.1	11.3	98.4	-1.3	80.5
Non-Durable Goods Manufacturing	82.7	0.2	83.7	1.1	82.0
Food Products	80.7	0.6	81.3	1.4	80.3
Plastic Products	83.2	-1.5	83.8	0.7	79.4
Paper & Allied Products	92.7	1.2	93.3	-0.2	89.7
Printing & Publishing	80.6	1.1	80.7	0.1	79.7
Chemical & Chemical Products	78.7	-0.3	83.0	4.2	82.5
Construction	91.4	2.1	90.7	-0.3	83.0
Electric Power & Gas	85.8	3.4	87.2	1.4	82.5
Energy	77.7	1.4	78.0	0.5	80.6
Total Excluding Energy	87.1	2.0	86.8	-0.5	82.0

Source: Statistics Canada

...but higher profits...

Corporate operating profits surged 21.2% in 2000, building on a similar advance in 1999.

- **Gains were widespread, with 19 of 24 industry groups reporting higher profits on the year.**

Soaring oil and gas prices boosted profits in the Mineral Fuels industries in 2000. Manufacturers operating profits also rose strongly during the year, led by producers of Electrical & Electronic products and Petroleum & Coal Products.

Profits in the Financial industries also continued to increase, with notable gains for Funds & Other Financial Vehicles and Other Financial Intermediaries industries.

Despite a strong overall performance in 2000, profit growth slowed appreciably over the course of the year, notably for the auto sector and wood & paper industries.

Corporate Operating Profits

	2000 Level ($M)	Difference 1999-2000 ($M)	(%)
Total - All Industries	211,219	36,902	21.2
Total Non-Financial	147,490	24,118	19.5
Agriculture, forestry, fishing & hunting	2,117	71	3.5
Mineral fuels	18,600	11,106	148.2
Mining except mineral fuels	3,370	2,079	161.0
Utilities	2,958	325	12.3
Construction	3,926	548	16.2
Manufacturing industries	56,274	9,810	21.1
Wholesale trade industries	10,194	242	2.4
Retail trade industries	10,169	-1,667	-14.1
Transportation and warehousing	3,581	1,383	62.9
Information and cultural industries	7,368	485	7.0
Real estate, rental and leasing	6,022	-1,210	-16.7
Professional/Scientific	3,168	1,351	74.4
Management of companies	10,482	-2,484	-19.2
Other services to business	753	415	122.8
Education services	208	-177	-46.0
Health care and social assistance	1,344	-38	-2.7
Arts, entertainment and recreation	266	103	63.2
Accommodation and food services	3,482	671	23.9
Other services	3,203	1,099	52.2
Total Financial	63,728	12,783	25.1
Depository credit intermediation	15,983	410	2.6
Non-depository credit intermediation	3,420	387	12.8
Insurers	4,648	336	7.8
Funds and other financial vehicles	30,151	8,097	36.7
Other financial intermediaries	9,527	3,555	59.5

Source: Statistics Canada

...will support increased investment in 2001

According to February's survey of private and public investment intentions, nominal investment in plant and equipment will rise 0.6% in 2001. This compares to an increase of 5.4% overall in 2000.

- **Investment in M&E is expected to decline 2.5%, while non-residential construction should increase by 4.0%.**

By industry, higher energy prices are expected to boost exploration and drilling activity.

Investment in Manufacturing is expected to fall sharply, the first major dip since 1992. In total, 12 of 20 manufacturing industries are expecting declines.

The expected decline in Transportation reflects the winding down of several major pipeline projects.

2001 Investment Intentions by Industry (Plant & Equipment)

Source: Statistics Canada Survey of public and private investment intentions

*Other Primary: Agriculture, Forestry, Fishing & Hunting;
Transportation includes warehousing;
FIRE: Finance, Insurance, Real Estate & Leasing;
Community/Personal Services: Education and Health & Social Services.